

# **FAIR** Taxes for ALL

Co-chairs: People For the American Way, American Federation of State, County & Municipal Employees, National Women's Law Center, Leadership Conference On Civil Rights, US Action, Campaign for America's Future

## **Oppose the House FY 2005 Budget Resolution and H.R. 3973 The Wrong Priorities for America's Working Families**

March 23, 2004

United States House of Representatives  
Washington, D.C. 20515

Dear Member of Congress,

The Fair Taxes For All coalition, a network of more than 325 national, state, and local organizations – together representing millions of Americans – vigorously opposes the FY 2005 budget resolution and the budget process bill (H.R. 3973) recently reported out by the House Budget Committee. These measures embrace priorities starkly out of touch with the American people: They favor new unpaid-for tax cuts that disproportionately benefit the wealthy over adequate funding for programs on which working families depend.

Specifically, we strongly oppose the proposal included in the House budget resolution to extend – without paying for them – the 2001 and 2003 tax cuts. The official \$138 billion five-year cost of such extensions is unacceptable and greatly understates the true cost. In fact, the cost of extending these cuts for the following five years would be more than seven times greater, making the cost of the tax cuts called for in this budget resolution \$1.2 trillion over the next ten years. Over the longer term, the full cost of such extensions is three times the size of the long-term shortfall in Social Security. Moreover, the benefits of these tax cuts would go overwhelmingly to the very rich. Extending the 2001 and 2003 tax cuts would give millionaires average annual tax cuts of \$144,000 – an amount that exceeds the annual income of 94 percent of U.S. households – while the poorest 20 percent of households would receive average annual tax cuts of \$2.

In contrast to its largesse to the wealthiest Americans, the House budget would slash funding for programs important to the vast majority of Americans. Indeed, the proposed budget makes clear the goal of the Administration and its allies to use the massive, largely tax cut-generated long-term deficits to justify rolling back seven decades of investment in the health care, education, and financial security of the American people. The proposed budget includes deep cuts in vital public services and ignores urgent national priorities. This budget would require \$2.2 billion in cuts to Medicaid over the next five years, cuts that would not only leave countless American families without access to necessary medical care, but would also increase the strain on already overburdened state budgets. The proposed budget would also cut \$120 billion over five years from domestic discretionary programs outside homeland security, including housing, veterans' health care, law enforcement, and environmental protection.

Even worse, the budget process bill accompanying the budget resolution, H.R. 3973, would lock in the deep cuts included in the final budget resolution by imposing five-year caps on discretionary spending. Not only would this make it harder for future Congresses to reverse the deep cuts enacted this year, but it could also force even deeper cuts in critical domestic programs. Since the caps apply to *overall* discretionary spending, including defense and homeland security, any increases in defense or homeland security spending would have to be offset by reductions in other federal spending, including spending for environmental protection, education, housing, and veterans' services.

Moreover, the deep cuts called for in the House budget resolution and H.R. 3973 would not, as some claim, go toward deficit reduction. Indeed, under the House plan cumulative deficits would be \$250 billion greater over the next five years – and \$1.5 trillion over the next ten years – than they otherwise would be, in large part because of the additional tax cuts contained in the House budget resolution.

Unfortunately, H.R. 3973 further promotes this unbalanced and irresponsible approach to deficit reduction by proposing one-sided “pay-as-you-go” rules. This perversion of the “pay-as-you-go” rules of the 1990’s would require that any future improvements in entitlement programs (such as Medicare, Medicaid, food stamps, school lunches, and veterans’ programs) be “paid for” by reductions in other entitlement spending, while new tax breaks would not have to be offset. Not only would such an unbalanced “pay-as-you-go” rule not work to rein in deficits, but it would also likely result in budget outcomes out of step with Americans’ priorities. With tax cuts enacted since 2001 likely to cost four times more over the 2002-2011 time period than the increases in entitlement and domestic discretionary spending outside homeland security enacted since 2001, Congress should not codify this sham fiscal discipline while continuing to ignore tax cuts as a major cause of our deficits and a threat to our shared priorities.

The Fair Taxes For All coalition strongly urges you to reject the proposed House budget resolution and the budget process bill, H.R. 3973. We cannot afford – nor is it fair – to continue the reckless tax-cutting policies of the past few years. Also, we must resist radical and one-sided changes to the budget rules designed to help perpetuate the unfair and unaffordable policies that jeopardize our ability to assure a world-class education for our children, quality health care, retirement security, and economic opportunity. Instead of more of the same failed policies, we should reform the tax system to restore fairness, provide adequate funds to meet pressing federal, state, and local public needs, and to strengthen the economy.

Sincerely,

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